

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY ANKARA PRIORITY
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E.O. 11652: N/A

TAGS:EFIN, TU

SUBJECT: EXIMBANK RESTRUCTURING OF SHORT-TERM SUPPLIER
CREDITS

REF: (A) ANKARA 1224, (B) ANKARA 1293

1. GUVEN OF TURKISH EMBASSY INFORMED EXIMBANK THAT HE
PLANS TO SUBMIT LETTER FORMALLY REQUESTING EXTENDED TERM
ON RESTRUCTURING OF PAST DUE INSURED SHORT-TERM SUPPLIER
CREDITS. EXIM STAFF SEES PROBLEM IN JUSTIFYING AN EXTEN-
DED TERM TO CONGRESS, AS WELL AS IN IMPACT ON EXIM RELA-
TIONS WITH OTHER CREDITOR AND DEBTOR COUNTRIES. ACCORD-
INGLY GUVEN WAS URGED TO PRESENT GOT CASE IN PERSON TO
EXIM CHAIRMAN FOLLOWING LATTER'S RETURN FROM TRIP 23 FEB.

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2. FOLLOWING POINTS HAVE BEEN MADE TO GUVEN AND ARE FOR
EMBASSY'S INFO, BUT MAY BE DRAWN UPON AS NECESSARY IN
FURTHER DISCUSSIONS WITH GOT. QUESTION OF INTEREST RATE IS
A MATTER TO BE TAKEN UP BETWEEN GOT AND CITIBANK. RATE
MUST BE ACCEPTABLE TO EXIM, BUT WOULD ONLY BE PARTIALLY
COVERED BY EXIM GUARANTEE IF IT IS A FLOATING RATE AS EX-

PECTED.

3. QUOTE USUAL UNQUOTE COMMERCIAL BANK TERMS, EVEN IF

BANKS WERE EXTENDING NEW CREDIT TO TURKEY, WOULD BE IRRELEVANT TO THIS CASE. RESTRUCTURING IS MERELY A TRANSFER OR CONVERSION OF EXIM LIABILITY UNDER INSURANCE TO ONE UNDER GUARANTEE, AND DOES NOT CONSTITUTE TAKING ON NEW EXPOSURE.

4. EXIM RESTRUCTURING COULD INDEED SERVE AS PATTERN FOR SIMILAR ARRANGEMENT ON PAST DUE INSURED SHORT-TERM BILLS TO OTHER COUNTRIES, BUT NEED NOT DETERMINE WHAT ARRANGEMENT IS MADE ON PAST DUE INSURED OR GUARANTEED MEDIUM-TERM OBLIGATIONS, UNINSURED OBLIGATIONS, NOR ANY OTHER PARTICULAR CATEGORY OF DEBT. THUS EXIM SEES NO REASON WHY ITS ARRANGEMENT WOULD MAKE IT IMPOSSIBLE TO OBTAIN MORE FAVORABLE TERMS FOR RESCHEDULING OF OTHER DEBTS.

5. EXIM WOULD REITERATE THAT SUBJECT OF RESTRUCTURING IS SHORT-TERM DEBT, ORIGINALLY TRANSACTIONS PAYABLE IN CASH OR AT MOST UP TO 180 DAYS. THUS THREE-YEAR TERM IS GENEROUS. FURTHERMORE, PAST RESCHEDULING EXERCISES HAVE, SO FAR AS EXIM IS AWARE, EXCLUDED SHORT-TERM DEBT.

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6. STAFF TOLD GUVEN THAT IT HAD FELT AFTER ANKARA MEETINGS THAT IT HAD A DEAL WHICH REQUIRED ONLY RATIFICATION BY EXIM BOARD AND COULD THEN BE IMPLEMENTED QUICKLY IN VIEW OF WHAT IT AND, IT BELIEVED, GOT REGARDED AS URGENCY OF DIFFICULT SITUATION. BANK'S FORMAL COMMITMENT LETTER WAS IN NO WAY INTENDED AS MERELY A BASIS OF NEGOTIATIONS. STAFF THOUGHT NEGOTIATIONS WERE BEHIND US, AND OBJECT WAS TO CONCLUDE AND EXECUTE ARRANGEMENT ASAP. EXIM AND CITIBANK HAVE ALREADY DRAFTED AN AGREEMENT WHICH IS BEING TAKEN TO ANKARA AND HAS BEEN GIVEN TO GUVEN. IF GOT DOESN'T VIEW MATTER WITH SAME URGENCY, PERHAPS EXIM SHOULD EITHER WAIT TO SEE WHAT ARRANGEMENTS ARE MADE WITH OTHER CREDIT INSURERS (ON SHORT-TERM ITEMS) AND FOLLOW SUIT INSTEAD OF LEADING WAY, OR SIMPLY SIT TIGHT AND WAIT FOR EXCHANGE TRANSFERS TO BE MADE AS, IF, AND WHEN CENTRAL BANK IS ABLE TO MAKE THEM, CONTINUING TO PAY OUT CLAIMS IN MEANTIME. RESULT OF COURSE WOULD BE FOR PENDING LOANS UNDER FINAL OR PRELIMINARY COMMITMENTS FOR HIGHWAYS, THY AIRCRAFT, AND TKI COAL DRILLING EQUIPMENT TO REMAIN IN ABEYANCE.

7. FIGURES AND CALCULATIONS ADDUCED BY MRS. OYMEN ARE

CONTRARY TO EXIM'S UNDERSTANDING. EXIM WAS UNDER IMPRESSION THAT ITS SHORT-TERM ARREARS WERE PART OF SOMETHING OVER A BILLION DOLLARS IN SIMILAR OBLIGATIONS, INSURED OR UNINSURED. OVERALL TOTAL OF VARIOUS CATEGORIES OF PAST DUE OBLIGATIONS WAS UNDERSTOOD TO

AMOUNT TO PERHAPS DOLS. FIVE BILLION. OF THIS, SOME DOLS. TWO BILLION IN CLD'S IS QUITE DIFFERENT, AND IT WAS THOUGHT COULD, IN LARGE PART IF NOT IN TOTAL, BE ROLLED OVER. THEREFORE, OF DOLS. THREE BILLION BALANCE, IF EXIM PATTERN APPLIED, GOT WOULD BE PAYING 5 PERCENT CASH NOW AND ONE-TENTH OF 95 PERCENT BALANCE OR 9.5 PERCENT 31 DEC. 78. THUS ROUGHLY 15 PERCENT OF DOLS. 3 BILLION, OR DOLS 450 MILLION, NOT DOLS 2 BILLION, WOULD BE REPAID LIMITED OFFICIAL USE

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IN 1978. IN 1979, 38 PERCENT (4INSTALLMENTS OF 9.5 PERCENT EACH) OR ABOUT DOLS. 1.2 BILLION WOULD BE PAID, NOT QUOTE NEARLY ALL THE REST UNQUOTE. SIMILAR AMOUNT WOULD BE PAID IN 1980, AND BALANCE OF DOLS. 300 MILLION IN MARCH 1981. EXIM THOUGHT THIS WAS REALISTIC, REASONABLE, AND PRACTICABLE. IF IT TURNED OUT LATER NOT TO BE, EXIM AND OTHER CREDITORS, AS ALWAYS, WOULD PRESUMABLY HAVE TO REVIEW AND RECONSIDER AT THAT TIME.

8. RE QUESTION OF AMOUNT, IT REMAINS AT PRESENT DOLS. 20 MILLION, NOT 28 OR 30, BUT IT IS ALWAYS POSSIBLE, AS EXPLAINED TO GOT, THAT ADDITIONAL ELIGIBLE ITEMS MAY TURN UP LATER DUE TO NATURE OF REPORTING TRANSACTIONS UNDER INSURANCE PROGRAM. IF SO, AS INDICATED, EXIM AND GOT MIGHT AGREE ON INCREASE IN AMOUNT. MAIN POINT IS TO IDENTIFY AND DISCHARGE ELIGIBLE ITEMS.

9. SINCE NEITHER RESTRUCTURING NOR ACCESS TO OTHER CREDITS APPEARS TO BE AS URGENT TO GOT AS PREVIOUSLY THOUGHT, EXIM PLANS TO DO NOTHING FURTHER UNTIL GUVEN MEETS WITH CHAIRMAN, AND BOARD HAS HAD OPPORTUNITY TO REVIEW AND DISCUSS GOT REQUEST.

10. RE ACCEPTANCE OF CREDIT NO. 6469 TO THY, TURKISH EMBASSY HAS ASKED AND EXIM HAS AGREED TO ADDITIONAL 30 DAYS IN WHICH TO RETURN COMMITMENT LETTER. VANCE

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